

Minnesota Value of Solar Tariff Methodology

- *Background, Process, Schedule*

Presented by:

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VOS Workshop 3

October 15, 2013

MN VOS Methodology

Legislation passed in 2013 requires the Department of Commerce to establish a solar value methodology:

- As an alternative to net metering, investor-owned utilities may apply to the MN Public Utilities Commission (PUC) for a value of solar tariff that compensates customers through a credit for the value to the utility, its customers, and society for operating distributed PV systems interconnected to the utility and operated by the customer primarily for meeting their own energy needs;
 - The utility must demonstrate that the alternative tariff appropriately applies the methodology established by the Department and approved by the Commission.
- The Department of Commerce must establish the methodology and submit it to the PUC no later than January 31, 2014. The methodology must include the *value of energy and its delivery, generation capacity, transmission capacity, transmission and distribution line losses, and environmental value*; may include other values including *credit for locally manufactured or assembled energy systems, systems installed at high-value locations on the distribution grid, or other factors, if tied to utility benefit/cost*;
 - The credit will represent the present value of the future revenue streams of these components ;
 - Contract term must be at least 20 years, same credit per kWh over term.

Follow Up: VOS project size limits?

Question: Are VOS projects subject to the same size limits as net metered facilities?

Answer: YES

- MN Stat 216B.164 Subd. 10(c)(6) states that the PUC shall approve the VOST, provided that the utility has demonstrated that the alternative tariff “*complies with the size limits specified in subdivision 3a.*”
- While MN Stat 216B.164 Subd. 3a. (a) states that “*Except for customers receiving a value of solar rate under subdivision 10, a customer with a net metered facility having more than 40-kilowatt and less than 1,000-kilowatt capacity that is interconnected to a public utility may elect to be compensated for the customer's net input into the utility system in the form of a kilowatt-hour credit on the customer's energy bill carried forward and applied to subsequent energy bills.*”
 - The “*except*” clause in 3a is in keeping with **216B.164 Subd. 10(b)** which states “*the alternative tariff is in lieu of the applicable rate under subdivision 3 and 3a*”.... Also, in 3a, the customer “may elect”

➤ **VOST shares 3a’s size parameters.**

Follow Up: Retail rate in lieu of Net Metering?

Question: could retail rates potentially be used as a substitute for net metering *while work continues on VOS methodology and alternative tariff development?*

Answer: NO

1. **Methodology:** The statute doesn't entertain a retail rate contingency if a *VOS methodology* is not approved; it does not cross reference to any provision mentioning retail rates; **it merely establishes a deadline for the methodology that MUST be met.**
 - MN Stat 216B.164 Subd. 10(e) The department must establish the distributed solar value methodology in paragraph (c), clause (1), no later than January 31, 2014. The department must submit the methodology to the commission for approval.
2. **Alternative Tariff:** An IOU may petition for an *alternative tariff* only after the *methodology* is established.
 - MN Stat 216B.164 Subd. 10(b) **If approved**, the *alternative tariff* shall apply to customers' interconnections occurring after the date of approval. The alternative tariff is in lieu of the applicable rate under subdivisions 3 and 3a.
3. **Retail Rate floor:** Once an alternative tariff is approved, retail may apply
 - MN Stat 216B.164 Subd. 10(j) The commission may not authorize a utility to charge an alternative tariff rate that is lower than the utility's applicable retail rate until three years **after the commission approves an alternative tariff** for the utility.

Today's Workshop

Workshop 3 Objectives

- Review and discuss key issues identified by stakeholders;
- Prioritize key unresolved issues;
- Discuss options for resolution.

Agenda

- 8:50 Perspectives on components, methodologies, expected range
- 10:15 Break
- 10:30 Presentations on Key Methodologies – Distribution Capacity Value,
Fuel Price Guarantee Value, Environmental Value
- 12:00 Lunch
- 1:15 Facilitated Stakeholder Discussion
- 2:45 Next Steps
- 3:00 Adjourn

Stakeholder Engagement Schedule

September 17 Workshop 1

September 20 – *Initial comments were due on VOS methodology*

These comments were used to frame the Stakeholders Perspectives portion of the October 1 Workshop

October 1 (8:30am to 4pm) *Workshop 2:*

- **Proposed approach to methodology, Commerce and Clean Power Research**
- **Stakeholder perspectives**
- **Identification of key issues, Facilitated discussion**

October 8 – *Comments were due on key issues for MN VOS methodology*

These comments were used to frame the October 15 Stakeholder Workshop

October 15 (8:30am to 4pm) **Workshop 3:**

- **Discussion of key issues, Facilitated discussion with stakeholders**

November 19 (8:30am to 1pm) **Workshop 4:**

- **Presentation of initial draft methodology, Commerce and Clean Power Research**
- **Stakeholder Q&A**

December 10 – **Comments due on draft methodology**

These comments will be used to inform the final draft VOS Methodology that the Department will submit to the PUC (by January 31, 2014)

Send comments on the MN VOS Methodology Development to: DG.Energy@state.mn.us

Comments and questions:
DG.energy @ state.mn.us
(651) 539-1500

**[http://mn.gov/commerce/energy/topics/
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